ARGS

AIRLINE ROUTES & GROUND SERVICES

Eastern promise

Finnair returns more Asian services

Hub activity

Istanbul Airport on coping with the crisis

Food for thought

Airline catering adapts to Covid-19

False Dawn?

Aviation faces difficult choices in ongoing pandemic

airlinergs.com — Autumn 2020


A4
Check-in
Business Class

Published by:
EVA International Media ltd
Boswell Cottage, 19 South End,
Croydon, London, CR0 1BE, UK

Tel: +44 (0) 20 8253 4000
Fax: +44 (0) 20 8603 7369

www.evaintmedia.com

Printed by:
The Manson Group Limited
St Albans, Hertfordshire,
AL3 6PZ, United Kingdom

Distributed By:
Air Business
The Merlin Centre, Acrewood
Way, St Albans, AL4 0JY,
United Kingdom

Join the conversation
Twitter: @args_eva
Linkedin: /args-magazine

Advertising opportunities
Contact Humza Raja on
+ 44 (0) 20 8253 4005

Issue 33 2020
https://airlinergs.com/

Address changes and subscriptions:
charlotte@evaint.com

ISSN 2516-8002

EVA INTERNATIONAL MEDIA LTD
PUBLISHERS & EVENTS SPECIALISTS
EVA INTERNATIONAL MEDIA LTD

Editor's Notes

If you are anything like me, you are probably wondering exactly where we are now in dealing with the Covid-19 pandemic.

Many countries across the world are still handling their initial outbreaks while those that seemed to have overcome the worst of it and have begun opening up, are now dealing with emerging spikes and are again reintroducing lockdowns of varying severity.

While such uncertainty remains, this makes it very hard for the aviation sector not only to recommence operations and services, but also to plan for the future in any concrete fashion.

Considerable differences remain between countries, as can be seen on page 16, where some of the world's largest aviation bodies have combined forces to urge African governments to do the same in order to assist the region's aviation sector.

Similarly, in Europe the continent's LCCs continue to pay the price of conflicting legislation introduced by various countries (page 8). Of course, this is having a knock-on effect on every part of the aviation industry, with Swissport's current sorrows laid bare on page 40.

But that is not to say all is doom and gloom. Istanbul Airport has used the downtime to reshape its strategy and is adopting new practices as it reopens, as our interview with CEO Kadri Samsunlu reveals on page 20.

Finnair is also being increasingly nimble in its reintroduction of services as pent-up demand is proving stronger than expected. Vice president global sales Mikko Turtiainen exclusively explains to *ARGS* what is going on behind the scenes on page 4.

Elsewhere, work continues apace to deal with the evolving pandemic and its ongoing impact as stories on Transom (page 44), Menzies Aviation (page 34) and the Airline Catering Association (page 46) all reveal.

Similarly, avenues to successfully growing business are being considered as analysis by Alton Aviation Consultancy on travel bubbles (page 12) and ICF on the fifth freedom (page 26) show.

In short, there are still no easy answers currently but we must hope that the hard work, innovation and customer focus that all parts of the industry display will lead to its continued survival.

Edward Robertson

Editor
ed@evaint.com

Contents

Autumn 2020

THE BEST PLACE IS ALWAYS RESERVED FOR YOU

macau international airport 澳門國際機場

澳門氹仔偉龍馬路機場專營公司辦公大樓四樓
CAM OFFICE BUILDING, 4° ANDAR AV. WAI LONG, TAIPA, MACAU
電話/Tel: (853) 85988888 傳真/Fax: (853) 28785465

www.macau-airport.com

Routes revival

By Edward Robertson

As Finnair's long-haul aircraft return to the skies, the airline is keen to continue focusing on its Asian strategy

There was a time, just a few months ago, when the reintroduction of a well-established but suspended airline route would garner little press attention.

But as the world still struggles to come to terms with the Covid-19 pandemic, each return to service feels like a small step back to a version of normality that everyone in the industry should applaud.

This is certainly the case with Finnair which, at the time of writing at the beginning of August, had just announced the reintroduction of its Helsinki-Shanghai service on July 23, albeit on a weekly basis compared to daily pre-Covid-19.

The resumed route joins a thrice-weekly Hong Kong service, relaunched in July, while connections to Seoul and Tokyo have both been operating three times a week, having previously operated on a daily basis and 14 times a week respectively.

Finnair vice president global sales Mikko Turtiainen tells *ARGS* in an interview at the beginning of July that the resumed routes reflect the start of a return to its pre-Covid-19 strategy of connecting Asia to much of Europe via its Helsinki hub.

He adds: "The strategy is still there but we have said very openly it will take two or three years to get back to those 2019 levels. Right now it goes hand in hand with how countries open up their borders.

"China is still very much a key market for Finnair ... and we're very hopeful that Finnair will be able to open up mainland China."

Even if the strategy remains the same, Turtiainen adds the rules of reintroducing a long-haul route have changed considerably. Whereas previously he would have eight to nine months minimum to market and sell a new route, this has been cut to less than a month while a mothballed aircraft can be returned to service in as little as a day.

Service resumption

Turtiainen says while the reintroduction of the long-haul routes is important, it is part of a wider strategy to resume as much as 70 per cent of the airline's originally planned services by the end of the winter.

This would be a considerable achievement after the airline was left flying less than 5 per cent of its originally planned services in the second quarter of 2020 with just a couple of domestic and European city connections still live, while long-haul flights were completely wiped out, barring some limited repatriation services.

Turtiainen believes much of this was driven by the airline's decision to get on with the required work as soon as possible.

He says: "It was pretty early that we started thinking about when the ramp-up starts and what kind of network Finnair has as the ramp-up doesn't happen in a day. A lot of work went into thinking about which cities, which destinations and which origins and destinations (O&Ds) were important."

Turtiainen says by mid-May the airline published its schedule covering July, featuring about 25 per cent of the budgeted network, until the end of March 2021, when as many as 70 per cent of previously planned flights should have returned.

He is also determined that Finnair will now stick to its committed flights, a measure he believes is vital to help drive consumer trust and so help reinvigorate the market.

"Finnair took a very transparent and open approach in regards to how we wanted to bring

our network back," Turtiainen says. "We really wanted to publish what we intended to fly and not do any late cancelling (of flights)."

Surprise packages

He also believes that there is enough pent-up demand in the market to fill the aircraft, particularly having seen firsthand the response to trips sold via the airline's tour operator subsidiary Suntours.

Having launched in May package holidays for Greece with departures from August, he says within two to three weeks the holidays were 80 per cent sold for not only August, but September and October as well.

Turtiainen adds: "Now in the past few weeks we've added capacity especially to Greece where we doubled the number of seats and capacity to Rhodes. We've also started sales to Crete earlier by a couple of weeks.

"The Finnish consumer is buying package holidays for August, September and October from mid-July onward; it does bring confidence that there is a segment that still desires to travel."

Importantly, Turtiainen argues that the demand has been driven not by slashing prices but by a simple desire in the market to jet away overseas following a spring where the world was largely locked down as Covid-19 spread globally.

He says: "We need to have demand for the airline to survive and we need to have the right price points to make that demand financially sustainable.

"During Q2 we made €2 million losses a day and going forward we need to find the equation that will put us in a flight-positive mode financially.

"Craziness in the long run will not work. There is a huge cost element in regards to flying an aircraft from point A to point B. In these times everyone really has the microscope (focused) on the cost element.

"If you're not making those flights cash positive then there will be a lesson around the corner."

Nor is Finnair's focus purely on resuming established routes. Turtiainen says two new routes originally planned for launch this year remain under consideration at head office.

A flight to South Korea's Busan was planned for a summer launch but has been delayed, and a decision on its new start will be made in September. Meanwhile, the postponement of a new route to Tokyo's Haneda airport should only be until Q4 of this year.

Of course, each new route, and the reinstated old ones, are but small steps in a resumption of the global industry that has been utterly decimated by Covid-19 and which still faces severe repercussions as a result.

But if even the longest journey starts with a few small steps, it is good to see Finnair beginning to take them.

MikkoTurtiainen, Finnair vice president global sales


Finnair's new route to Busan has been postponed

Flexible Friends

Flexibility, procedural information and the ability to instil trust and confidence in the consumer are the key attributes Finnair is looking for in its airport partners currently.

Finnair vice president global sales Mikko Turtiainen says as the world of aviation continues to reel in the wake of the Covid-19 pandemic, airports must do their bit to help drive the market.

He believes that the retention of a degree of flexibility by airports is core to working with airlines in the current situation, as services need to be quickly reintroduced when the opportunity arises.

Speaking to *ARGS* in early July, Turtiainen says: "When we are looking at (introducing or ramping up) August flights there still has to be flexibility when Finnair and the airports talk."

He adds airports also need to be forthright about any additional precautions and processes, ranging from passenger temperature checks on arrival to the requirement for additional documentation, they have introduced so Finnair can pass on the information to its customers.

"This is where I am talking about (building consumer) trust and confidence," Turtiainen says. "How do we ensure that the consumer understands the different points that will happen along the journey, from pretty much entering the airport to getting to their destination."

However, he believes most airports have already adopted many of the best practices and he has been impressed how the industry is pulling together in order to get the sector up and running.

Turtiainen says: "Communication has gone both ways, everyone is listening more and is just more intrigued as to when the demand comes back so we can ramp up the network again."

airport carbon accredited NEUTRALITY | DFW

Our airport's sustainability efforts are **out of sight.**

DFW International Airport is proud to be the **world's largest carbon neutral airport.**

The results of sustainability initiatives at DFW International Airport may be unseen, but they're there. For over a decade, our steadfast commitment to reducing the airport's environmental impact has reduced expenses and improved operational efficiency as well. Our environmental efforts may be out of sight, but when it comes to innovating large-scale sustainability systems, DFW Airport is the leader. Follow our ongoing journey at **DFWairport.com/sustainability.**

This is DFW Airport's **"Dynamic Glass"** at work. Technology that continuously optimizes window tint — reducing energy use while improving customer comfort.

Continental lift?

By Edward Robertson

European low-cost carriers have seen strong demand as flights resume. But will the sector stay strong in the event of an upswing of Covid-19 cases?

In 2019, Europe's three largest LCCs, Ryanair, easyJet and Wizz Air, carried about 288.3 million passengers between them.

In 2020, as the continent continues to suffer from the first wave of Covid-19, ensuing regional flare ups and the ongoing threat of a full-blown second wave, it is hard to imagine when the sector will carry such volumes again.

While no-one can be sure what will happen next, recent financial updates from each of the three airlines show just how hard the impact of the pandemic has been, as well their ongoing efforts to breathe life back into the market and take advantage of future opportunities.

Having carried 42 million passengers for its first quarter (Q1) ending June 30 in 2019, Ryanair saw a 99 per cent drop in passenger numbers to just 500,000 in Q1 2020 as 99 per cent of the fleet was grounded from mid-March until the end of June.

> **"The past quarter was the most challenging in Ryanair's 35 year history. Covid-19 grounded the group's fleet for almost four months"**
>
> **Ryanair**

This resulted in a loss of €185 million for the period compared to a profit of €243 million for the same period in 2019.

The results report adds: "The past quarter was the most challenging in Ryanair's 35 year history. Covid-19 grounded the group's fleet for almost four months … as EU governments imposed flight or travel bans and widespread population lockdowns.

"During this time, group airlines repatriated customers and operated rescue flights for different EU governments, as well as flying a series of medical emergency/PPE (personal protection equipment) flights across Europe."

Despite the gloomy nature of the financial results, there are reasons for some optimism, as the no-frills carrier seeks to claw back what is left of the summer.

Ryanair resumed flights across the majority of its route network on July 1 with 40 per cent of its normal schedule operated, a figure that is expected to rise to about 60 per cent in August and 70 per cent in September.

The airline is now predicting its traffic to be down by 60 per cent from 149 million to 60 million in its full year results ending March 31, 2021.

However, despite the ongoing issues, Ryanair remains typically bullish in its results, accusing some EU governments of handing out "a multi-billion flood of illegal state aid … to their flag carrier airlines".

The report adds this will lead to below-cost fares which, combined with capacity cuts elsewhere, will lead to depressed air travel in Europe for the next two to three years.

"This will create opportunities for Ryanair (Europe's lowest cost airline group) to grow its network, and expand its fleet, to take advantage of lower airport and aircraft cost opportunities that will inevitably arise," the report concludes.

Meanwhile, easyJet's Q3 results for the period ending June 30, 2020, tell a similar story.

European LCCs face considerable challenges

Following a strong start to the first half of the year, the airline's entire fleet was grounded on March 30 as a result of the pandemic.

Flights only resumed on June 15 and the airline carried 117,000 passengers on aircraft with a total capacity of 132,000 seats, giving it a load factor of 88.9 per cent and total group revenue of £7 million for the period.

Johan Lundgren, easyJet's CEO, says a major restructuring programme aimed at driving cash generation and leaving it well positioned for the end of the pandemic is already under way. Costs are being driven down to assist this process with a 30 per cent reduction in staff already announced.

Looking ahead, he adds there may yet be further cause for optimism, saying: "I am really encouraged that we have seen higher than expected levels of demand with a load factor of 84 per cent in July with destinations like Faro and Nice remaining popular with customers.

"Our bookings for the remainder of the summer are performing better than expected and as a result we have decided to expand our schedule over the fourth quarter to fly circa 40 per cent of capacity."

Lundgren also remains on the lookout for any opportunities to grow the airline's network which could be to the benefit of any airport looking to start or grow their relationship with easyJet in the future.

He says: "EasyJet's market-leading European short-haul network is focused on number one and two positions at primary airports and enables us to be efficient with our network choices, with an emphasis on maximising returns.

"The scale and flexibility of our network also provide us with the opportunity to realign capacity to take advantage of these changes in the competitive landscape. EasyJet will act quickly to selectively acquire attractive slots made available in locations where the opportunity arises."

Meanwhile, Wizz Air has been using the Covid-19 lockdown to restructure operations in a positive way.

Its Q1 financial results for the period ending June 30 has seen the reallocation of 22 aircraft and the launch of more than 200 new routes.

A total of seven new bases have also been set up in Bacău, Romania; Dortmund, Germany; Larnaca, Cyprus; Milan Malpensa, Italy; St Petersburg, Russia; Lviv, Ukraine and Tirana, Albania while base expansion has happened at Belgrade, Serbia; Varna, Bulgaria and Luton, UK.

The changes were made despite the central and eastern European LCC facing the same problems as its two bigger rivals.

During Q1, the airline carried 707,184 passengers, a 93.2 per cent decrease year on year, generating revenues of €90.8 million, a drop of 86.9 per cent that ultimately led to an underlying loss of €56.7 million.

Despite the troubles caused by the pandemic, CEO Joszef Varadi remains positive about both recent results and the future.

He says: "We carried 700,000 passengers with a load factor of 56 per cent at a time when European air travel came largely to a halt. More importantly, at the end of June, Wizz Air was operating around 70 per cent of its capacity, compared to an average of 11.5 per cent in the first quarter.

"This gives Wizz Air important operational momentum going into the summer season."

Looking ahead, he adds: "We remain focused on gradually ramping up operations whilst protecting the health of customers and employees. Where needed we will be open to stimulate traffic, while protecting our strong cash position and minimising cost."

Which sounds as positive as it is possible to be right now. Certainly the demand is there and provided the world is not engulfed by Covid-19 again perhaps this positivity can continue to grow, although maybe not flourish just yet.

Norwegian long haul brought down to earth

Norwegian's long-haul programme has had its wings clipped as a result of the Covid-19 pandemic.

In 2019, the LCC operated 44 long-haul routes with its fleet of 36 Boeing 787 Dreamliner aircraft.

However, following a network review, the airline announced in November 2019 that it would cease long-haul flights from both Stockholm and Copenhagen in March 2020.

The plan lasted as long as it took for Covid-19 to find a foothold in Europe and then spread rapidly across the continent as it has done globally.

By March 21, the intercontinental routes had all been cancelled, barring flights between Scandinavia and Thailand which were pulled by the end of the month.

The problems impacting Norwegian's long-haul network were mirrored across the board with the airline significantly restructuring its entire planned capacity, initially cutting it by 15 per cent on March 10 before cutting it to up to 85 per cent just six days later.

This led to a 40 per cent reduction in capacity during March while passenger numbers fell by 60 per cent to 1.15 million in March.

In May Norwegian announced a restructure which included a government bailout of NOK 3 billion ($330 million), which CEO Jacob Schram said at the time had secured the airline's future, even if the next few months would remain "challenging".

"Now that we can access the state loan guarantee, we can continue to transform the company," he added. Norwegian's transformation had begun in 2018 when work began to restructure its operations and return it to profitability, a process that was due to come to fruition in 2020 but is unlikely now following the pandemic.

Recovering from Covid-19

Alton Aviation Consultancy joint managing director Adam Cowburn argues travel bubbles could drive aviation's resurgence, while his counterpart Jonathan Berger believes the maintenance and repair market is set to change.

Since the beginning of the pandemic, Covid-19 has decimated air travel demand, with statistics released by OAG's Schedules Analyser showing the number of scheduled flights globally down by 52 per cent in the second week of July 2020, year on year.

As the virus spread, governments around the world imposed travel bans on specific countries which evolved into blanket border closures to curb inbound Covid-19 transmission from foreign visitors.

The result of these travel restrictions can be seen in declining revenue passenger kilometres (RPKs) and available seat kilometres (ASKs) since the end of 2019. Airlines responded to this reduced demand by cutting their capacity. Between January 2020 and May 2020, global ASKs declined by 45 per cent, with RPKs in May down 91 per cent and ASKs down by 86 per cent year on year.

Jonathan Berger, Alton Aviation Consultancy joint managing director

Adam Cowburn, Alton Aviation Consultancy joint managing director

Three-phase recovery

Economic and aviation experts have predicted a severe fall in both GDP and air traffic demand in 2020 as a result of Covid-19, constraining short-term air traffic growth. However, long-term air-traffic growth is expected broadly to follow projected pre-Covid trends with a three-phase recovery path.

The first, ongoing phase is deep crisis which will then lead to a period of recovery, albeit one with an overhang caused by Covid-19. The final phase of the process will be the establishment of a new normal.

In our white paper, *Covid-19: Implications for the commercial aviation industry,* we set out how the immediate phase of deep crisis for the aviation industry may come to an end in the not-too-distant future. Before settling into the new normal however, the industry will pass through an extended period featuring a Covid-19 overhang. While it remains unclear how long this period will last, we predict it will be at least 18 to 24 months until air travel settles into the new growth trajectory.

Weathering the Covid-19 overhang

Airlines have been fighting for survival for the last few months. As we approach the end of the deep crisis phase, airlines can now shift their focus from day-to-day crisis management to planning for both the immediate resumption of operations and the longer-term new normal.

Travel bubbles could provide a significant boost to demand and jump-start the resumption of operations for airlines. Travel

Airlines will need to optimise their fleets to survive

Engineering a new future

As of June 2020, approximately 63 per cent of the global passenger fleet remains grounded. According to Alton's industry leading maintenance and repair organisation (MRO) demand model, which now incorporates the pandemic, this equates to an almost 50 per cent drop in MRO spend in 2020, down to $42 billion, with recovery to 2019 levels not expected until 2022-2023. However, there are still pockets of opportunities for MRO providers in this challenging environment.

Short-term opportunities with lessors include those that may have to re-possess aircraft and require lease-return or transition-check packages to ready aircraft for the next lessee. For airlines grounding aircraft, there are temporary storage maintenance activities required to keep aircraft airworthy should demand return faster than expected.

Further ahead, well-capitalised MRO suppliers could seek sale-leaseback opportunities for engines and aircraft components in order to enhance customers' liquidity, while better positioning their businesses to capture post-pandemic, long-term MRO contracts. Additionally, airlines that have been performing certain MRO activities in house may now look to leverage this crisis as to convert more of their historically fixed MRO costs to variable via further outsourcing.

For MROs, the post-pandemic new normal will largely be defined by the aircraft models that make up of the majority of airline fleets over the coming decades. Older aircraft will see accelerated phase-out, while newer models will return to the skies after temporary storage. Knowing this, there are important considerations for MRO suppliers in the new normal.

First, define the key capability skill sets to retain and foster as pre-Covid-19 core capabilities may no longer apply. Second, define the desired strategy and business relationship with respect to original equipment manufacturers (OEMs) who will seek to play an ever-increasing role in the aftermarket. Full independence or full OEM alignment may not necessarily be mutually exclusive options.

Lastly, seek opportunistic mergers and acquisitions – there will continue to be industry consolidation, and for many MRO suppliers, this may ultimately be the right solution for post-Covid-19 survival.

bubbles enable people to fly internationally without the need to undergo lengthy quarantine periods upon arrival.

Successful implementation of these corridors has the potential to add 1.3 billion more seats into the air travel market, based on 2019 capacity data. This is equivalent to 44 per cent of domestic seat capacity, 54 per cent of international seat capacity and, collectively with domestic flights, represents 82 per cent of all airline seat capacity.

Airlines that primarily serve international routes or transit travel, especially those that have small or non-existent domestic markets including Singapore Airlines, Cathay Pacific or Middle Eastern carriers, would gain the most from these agreements.

However, even as international flight markets reopen within the travel bubbles, many passengers will be reluctant to fly while some businesses have curbed corporate travel.

Reducing ticket prices may be one way to stimulate demand, even if it means pushing yields lower – Chinese carriers adopted this approach when their domestic market reopened. A promise of superior health and safety standards could also be another way of assuring would-be passengers and stimulating airtravel demand.

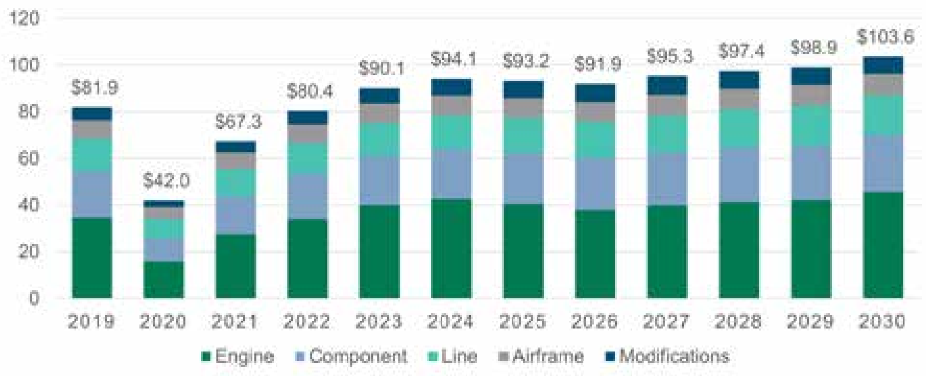
Flight operations and frontline teams will need to be well staffed and well equipped to run airlines as smoothly as possible during this time. Until the markets stabilise, airlines should expect many irregularities as airports and governments constantly update immigration and health and safety rules, with some airports and borders potentially closing and reopening as the situation evolves.

Long-term planning in the new normal

As markets begin to reopen, network planning and scheduling teams will be as busy as ever. Processes that typically take weeks to complete must now speed up immeasurably. Planning difficulty has been compounded by very short booking horizons and the constant change in regulations and border restrictions thanks to Covid-19.

MRO Demand is Not Expected to Reach 2019 Levels until 2022/2023

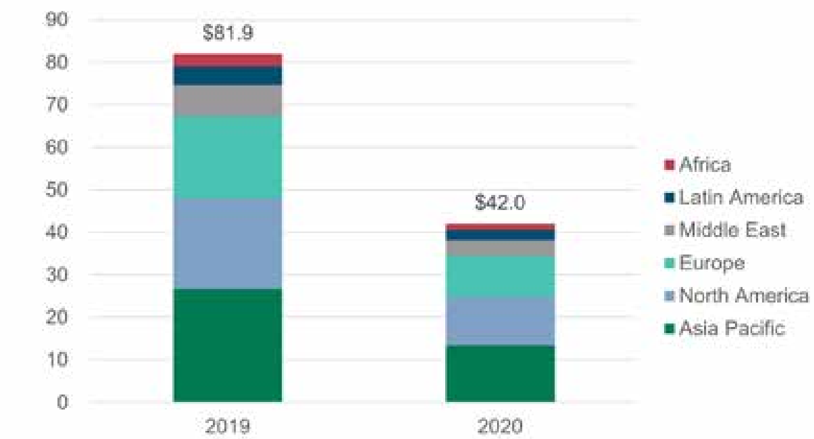
Global commercial MRO spend forecast by category (USD billion)



Source: Alton Aviation Consultancy

Alton Expects Global Airline MRO Spend Decline by 48% in 2020

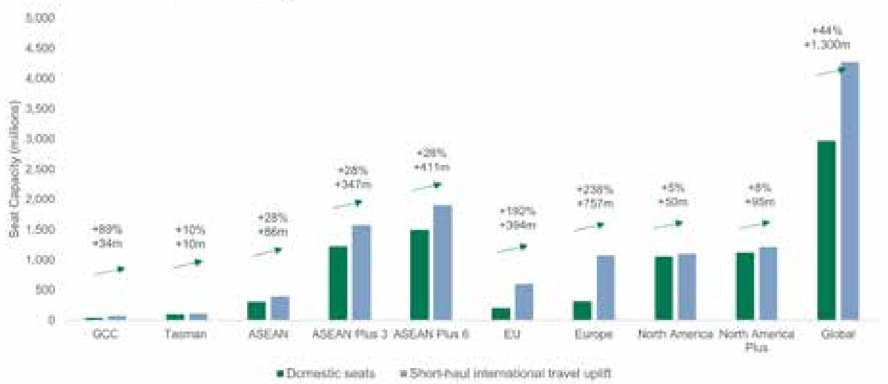
Global commercial MRO spend forecast by region (USD billion)



Source: Alton Aviation Consultancy

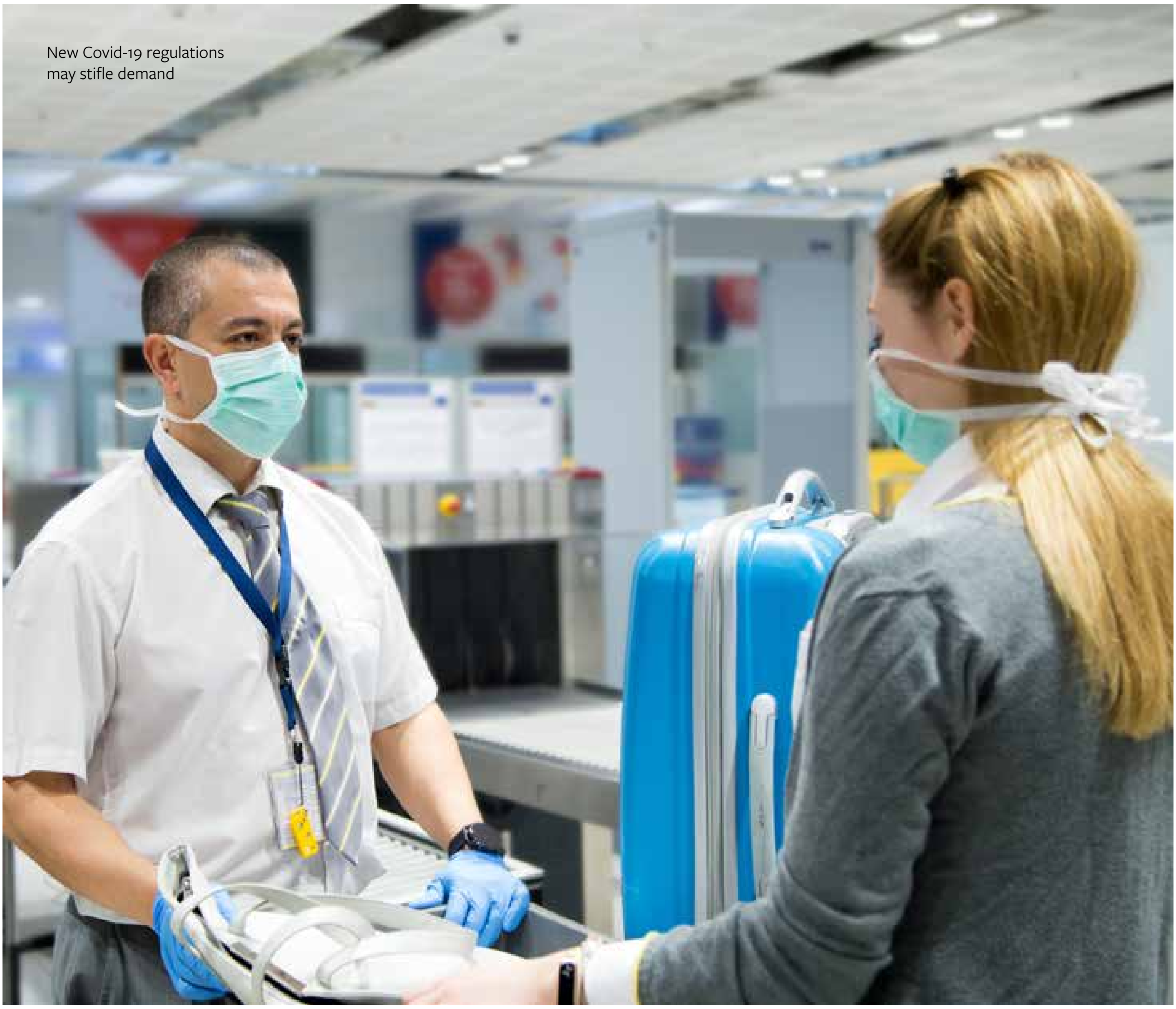
Travel Bubbles can Increase the Addressable Travel Market by 44%, or 1.3 Billion Passengers

Impact of travel bubbles on seat capacity



Definitions: GCC: Gulf Cooperating Council, excluding Qatar due to pre-COVID travel restrictions | Tasman: Australia and New Zealand | ASEAN: Association of Southeast Asian Nations | ASEAN Plus 3: ASEAN, China, Japan and South Korea | ASEAN Plus 6: ASEAN, China, Japan, South Korea, Australia, New Zealand, India | EU: European Nation countries | Europe: Western, Central and Eastern European countries | North America: USA and Canada | North America: USA, Canada and Mexico

Source: Full year 2019 OAG data, Alton analysis



New Covid-19 regulations may stifle demand

Use it or lose it slot rules have been widely suspended for the 2020 northern summer season. With slot alleviation for the winter season and beyond still uncertain, airlines must review their slot strategies now – they may no longer be able to afford non-profitable flights just to keep the slots in anticipation of recovering travel demand.

Based on the new network plans, airlines must decide which aircraft to bring back to service, which to retire or return and how to go about aircraft orders. They should use this time as an opportunity to simplify their fleets, reducing the variety of aircraft types and configurations. If this process is effectively done, airlines can lower their cost base significantly and better survive the immediate Covid-19 overhang.

While operating during the overhang, airlines must address the next level of strategic questions: how will demand change amid ongoing health concerns and the global shift in the corporate world to remote working? Should business models change and move away from targeting business traffic? What does it mean for fleets, networks, operations and cost bases in the long term? How do airlines weather another crisis?

Business-as-usual planning will not be enough. Airlines have to develop plausible recovery scenarios for the next 6, 12, 18 and 24 months, evaluating their financial stance and ability to survive in each of those time periods. In addition, they need a clear action plan for each scenario incorporating immediate action, strategic bets and a set of triggers to activate each action as the situation evolves.

Airlines will need to embrace agile decision making and adapt quickly in this rapidly changing environment as they discover that, in the new normal, traditional methods will no longer suffice.

The full report can be downloaded at altonaviation.com/news.

Africa unite

By Edward Robertson

Three of the world's biggest aviation bodies have called upon Africa's governments to put aside their differences and work together as the sector struggles to recover

Scheduled total seats
(Fortnights commencing 6 January 2019 – 4 May 2020)

It was in mid-June when three of the biggest global aviation bodies came together to address the dire state of the industry in Africa caused by Covid-19.
The International Air Transport Association (IATA), Airports Council International – Africa (ACI Africa) and the International Civil Aviation Organization (ICAO) Regional Offices for African States joined forces to call upon the continent's governments to start driving a recovery.

Specifically, the three bodies urged these governments to adopt ICAO's global guidelines set out in its report *Takeoff: Guidance for air travel through the Covid-19 public health crisis*, which aims to ensure the safe and harmonised restart of aviation in the region. The report includes a number of measures ranging from social distancing where possible and the wearing of masks onboard aircraft to health screening and contact tracing for both passengers and aviation workers.

And it came at a vital time. Statistics released by aviation data and analytics firm OAG show that in the four weeks from 11 May, when African aviation hit its lowest point, just 2.6 million total scheduled seats were available on the continent.

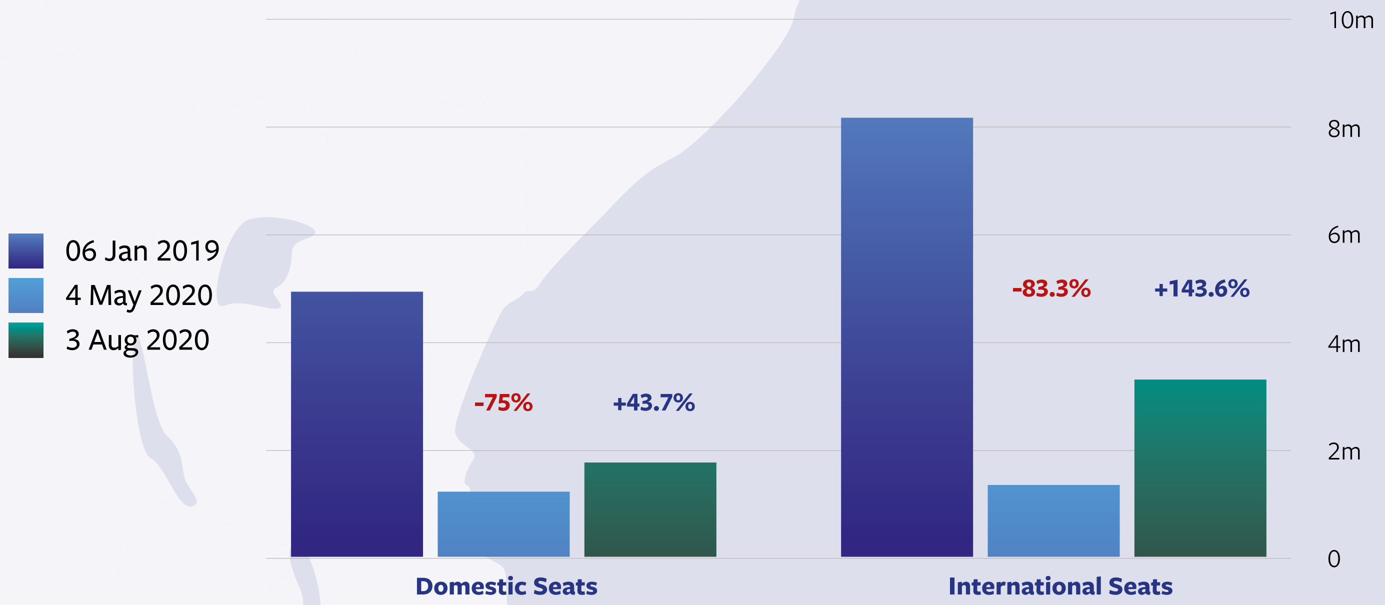
This represents a fall of 80.2 per cent on the 13.1 million seats available for four weeks beginning 6 January this year.

Unsurprisingly, and as has been the case in the rest of the world, international services were hit far harder than domestic.

OAG's data shows that in the four weeks from 6 January, there were a total of 8.2 million scheduled international seats but by the four weeks from 4 May, the number had dropped by 83.3 per cent to 1.4 million. In the same period and during the same time frames, the total number of domestic scheduled seats fell by 75 per cent from 4.9 million to 1.2 million.

The story is a similar one for both mainline airlines and LCCs, which initially had 11.2 million and 4.9 million scheduled seats respectively for the same four-week period at the start of the

Domestic/International total scheduled seats
(four-week period from date)



year. Both sectors were equally impacted, with mainline seats dropping by 83.3 per cent to 1.9 million, while those scheduled for the LCCs fell by 85.2 per cent to 734,169 by May.

Of the five biggest mainline airlines at the start of the year, all had been hit hard by mid-May with Royal Air Maroc suffering the most having seen its scheduled seat numbers fall from 675,120 in the four-week January period by 99 per cent to 6,429 in May.

South African Airways fared best, but with seat numbers falling from 661,958 in January to 96,846 in May, a fall of 85.4 per cent, bosses will not be relaxed by the numbers, especially following the recent restructure of the airline.

Counting the cost

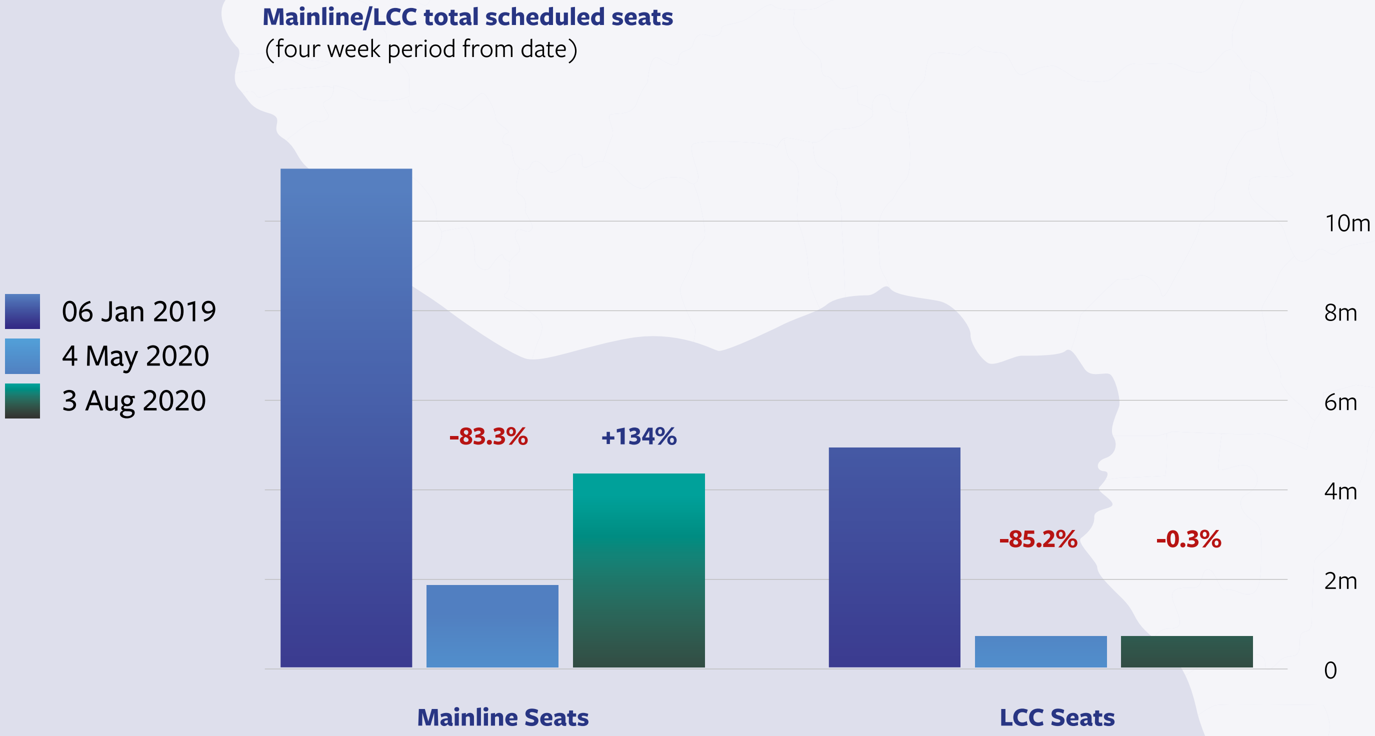
IATA, ICAO and ACI Africa were clearly concerned about the financial cost of the various lockdowns and rule changes implemented across Africa as a result of Covid-19.

Their own figures released in conjunction with the report show that demand for flights in the region is likely to fall by 58.5 per cent year on year in 2020, resulting in a net loss of $2 billion for its airlines following a $6 billion decline in passenger revenues.

They also predict African airports will be similarly hard hit with a 51 per cent fall in revenue, around $2.2 billion, in 2020. Wider repercussions would also hurt, with as many as half of the 6.2 million jobs supported by aviation lost, while the $55.8 billion generated by the industry in GDP in 2020 could drop by as much as $28 billion.

Speaking at the launch of the report, ICAO Eastern and Southern African (ESAF) office regional director Barry Kashambo urges governments across the continent to adopt the guidelines as soon as possible.

He adds: “Based on the latest medical evidence and consistent with health best practices, the ICAO Takeoff guidance provides governments with a framework for restarting aviation while protecting public health.



"Governments in Africa are encouraged to implement the guidance urgently and in a harmonised and mutually recognised way to allow aviation to safely start contributing to Africa's economic recovery post Covid-19.

"Air connectivity is critical to economic and sustainable development in and across the continent."

IATA regional vice president for Africa and the Middle East Muhammad Albakri agrees, adding: "Implementation should give governments the confidence to open borders without quarantine, and passengers the confidence to fly.

"But guidelines mean nothing if they are not implemented. And that is our main message to governments in Africa.

"Deviations from the guidance and mandatory approaches, especially on quarantine and social distancing, will damage public confidence, make it harder to operate effectively, slow down the industry restart and increase the economic pressures already created by Covid-19. This would be harmful to public health and the economic recovery."

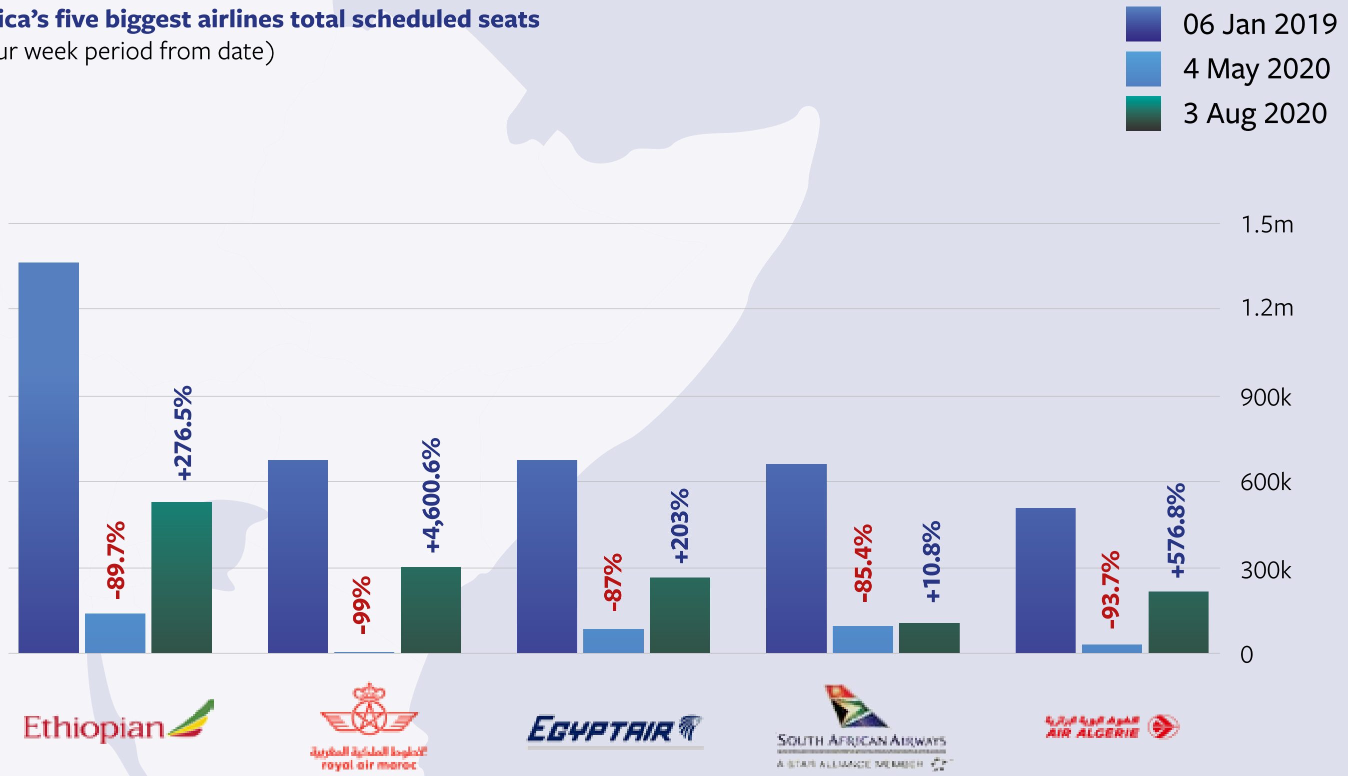
ACI Africa secretary general Ali Tounsi says: "Safety and security remain the industry's main priority, and both are firmly entrenched into every airport's operations and corporate culture."

Albakri also addresses the dilemma facing governments around the world that are torn between protecting their populations or their economies from the ongoing ravages of Covid-19.

He adds: "Restarting international connectivity safely while ensuring that aviation is not a meaningful source for the spread of Covid-19 is not an option but a must.

"Aviation is facing the biggest challenge of its history; we need all hands on deck to get the industry up and running again and we are committed to making the journey as seamless and risk-free as possible.

Africa's five biggest airlines total scheduled seats
(four week period from date)



"We will collaborate with and support states to implement these guidelines in the fastest and most efficient way and encourage governments and other industry stakeholders to reach out to us for support."

Questioning quarantine

And Albakri has kept his word too despite some green shoots of recovery apparently emerging. In the four-week period from 6 July there were 3.4 million total seats scheduled for the continent, part of an upward trajectory which has continued into August. Only LCCs have failed to see a resurgence in scheduled seats, although the previous fall seems to have stabilised.

However, by July Albakri was becoming concerned by the increased use of quarantine in both Africa and the Middle East (AME) as 36 countries introduce it, accounting for 40 per cent of all quarantine measures globally. He argues that with as many as 80 per cent of travellers unlikely to travel if they face a period of quarantine as a result, any signs of recovery could be stamped out.

Instead, he urges governments to consider alternative measures, including discouraging symptomatic passengers from travelling, using health screening to mitigate the risk and contact tracing to ensure travellers can be properly monitored, wherever they are.

He adds: "It is critical that AME governments implement alternatives to quarantine measures. AME has the highest number of countries in the world with government-imposed quarantine measures on arriving passengers.

"The region is effectively in complete lockdown with the travel and tourism sector shuttered."

Which re-emphasises the need for governments across the African continent to put aside their historical differences and come together for the benefit of all. Whether or not they decide to do so remains to be seen.

OAG

Stepping up to the challenge

By Edward Robertson

Istanbul Airport was forced to close just a year after opening by Covid-19. Now that it is open again, CEO Kadri Samsunlu is working hard to regain the lost business

As Istanbul Airport completed preparations to open fully on April 6, 2019, CEO Kadri Samsunlu took the opportunity to take a walk through the facility.

He says: “I was walking in the Duty Free area which was totally deserted and told my friends if you see this place like this again, it would mean something very big was happening.

“I was not contemplating a pandemic but whether or not the airport would encounter some opening issues like Heathrow Terminal 5 or, to a certain extent, Berlin(-Brandenburg) Airport. We are lucky that nothing happened and we started up the business without any issues.”

However, fast forward one year to April 2020 and Samsunlu says the unthinkable happened; the airport was forced to suspend all operations as Covid-19 swept across the world and flights were grounded by national lockdowns imposed by governments.

Like airports across the world, the shutdown hit at the worst possible time. “We were hit by this pandemic right in the middle of a period of good progress,” Samsunlu says.

“2020 looked very encouraging in terms of new airlines and the growth of our flagship carrier Turkish Airlines, which was adding new routes or frequencies to certain destinations.

“It was pretty unexpected. This crisis is something we have never experienced in the past, including the sector contraction during the financial crash (in 2008) or during SARS.”

While the airport’s cargo business might have continued as normal, its passenger traffic was decimated; in April, only repatriation flights were allowed and they were limited to 10 to 15 a day.

The beginning of June saw the return of some domestic flights, equal to 20 per cent of June 2019’s seat capacity, while in July the figure rose to 27 per cent.

Speaking exclusively to *ARGS* at the end of July, Samsunlu adds: “We are looking at about a 70 per cent contraction in the business up until now. For August we are more hopeful,

Kadri Samsunlu,
Istanbul Airport CEO

but still the business is going to be somewhere around 40 per cent (of August 2019’s capacity) in the best-case scenario.”

He responded by ordering most staff to work from home with only a minimum number of personnel kept at the airport to meet the limited demand.

Future thinking

But he also kept one eye on the future and, during the first two months of the airport’s closure, worked on a strategy for the resumption of operations.

Samsunlu now believes that rebuilding trust among travellers will be key to at least the beginnings of a return to normality.

“There is a fear factor embedded into this crisis and we need to build passenger trust to use the airport,” he says. “Therefore the absolute priority for managers is the comfort of passengers and, at the same time, ensuring the health and safety of passengers and employees.”

As a result, Istanbul Airport has introduced

> **“There is a fear factor embedded into this crisis and we need to build passenger trust to use the airport”**
>
> **Kadri Samsunlu,**
> Istanbul Airport CEO

a number of new measures including only allowing actual passengers inside the terminal; the universal wearing of face masks; and 500 hand sanitisation stations. Plus the air conditioning now only pumps in fresh, as opposed to recycled, air.

Meanwhile, a new IGA hygiene team consists of up to 70 people who are on hand in the terminal to ensure procedures are followed and to offer advice to travellers.

Samsunlu says while many of the measures are in accordance with government advice, the airport has been keen to set the agenda.

He adds: "We're not waiting for the government to tell us what to do. We are proactively working to assess the situation, the airport, the aircraft, and what action needs to be taken to build trust and confidence in passengers."

Service resumption

As for the flights that are returning, Samsunlu

500 hand sanitisation stations have been added to the terminal


Istanbul Airport's size allows for easy social distancing

Size Matters

Both the newness of Istanbul Airport, which fully opened for operations in April 2019, and its size give it an inherent advantage when it comes to creating new routes.

The airport's CEO Kadri Samsunlu says the facility covers a total of 76.5 million square metres while its duty free area alone covers 53,000 square metres.

He adds following the opening of the third runway in June this year as planned, turnaround and taxi times are quick while slots are readily available to interested airlines at any time of the day.

Samsunlu says: "We have an inherent incentive embedded into the airport. It's the newest infrastructure in the world and we have more capacity both on the landside and the airside for the airlines. (In addition) some of the very high charges in other airports are not (charged) here."

Samsunlu adds as the Covid-19 pandemic continues to sweep the world, nervous travellers will also appreciate the opportunity to maintain effective social distancing while still catching their flights.

He adds: "This is the biggest terminal in the world so we have a competitive edge against other terminals. Space isn't an issue and we can give the passengers as much as they want. Some other airports don't have so much space and are squeezing many people into certain parts of the terminal.

Nor is it just a matter of the available space. Samsunlu says the fact that the terminal has seven main entrances, more than 200 x-ray machines and 200 passport desks is a "huge advantage".

"At this airport we are going to rearrange the available space so we can maximise it for the passengers and this is very important when you are imposing social distancing," he adds.

"Going forward, and even before a vaccine is discovered, we can look at using parking lots to handle check-in or screening locations.

"This is not the necessary now, but in the future we have enough headroom to introduce new solutions so people can continue to circulate inside the terminal without getting stuck in crowds."

For these reasons, Samsunlu argues Istanbul Airport will not be offering new incentives to airlines looking to start or grow operations there.

"The main advantage of the new infrastructure is already available to them," he says. "Therefore we are not providing any extra discounts or refunds at this moment."

says domestic flights continue to lead the way and currently account for 60 per cent of total passenger volumes, with the remaining 40 per cent international.

He adds this is far from the original target of 25 per cent domestic and 75 per cent international, a fact that Samsunlu remains resigned to as the pandemic continues.

"Intercontinental flights are of course the most important part of our business and we used to experience very big and attractive load factors," Samsunlu says. "It is currently seriously limited given the restrictions every country imposes on other countries."

Samsunlu has little confidence that the situation will improve soon, with international recovery driven by Turkey's short-haul neighbours in regions including Europe, North Africa and Central Asia.

"These are basically closer so that is why we are seeing demand coming back into Istanbul," he says. "In terms of long haul, we will have to wait until we see more assurance for the (safety of) passengers to sit in the plane for eight or nine hours.

"We definitely need a vaccine; it is extremely crucial for the revival of the business and gives confidence to the passengers. Secondly, countries must agree on how to normalise the world as we see individual decisions (being made) all around the world.

"We definitely need a vaccine, it is extremely crucial for the revival of the business and gives confidence to passengers"

Kadri Samsunlu,
Istanbul Airport CEO

"Unless free movement of people is possible, we will never get over the crisis and to do that we need common standards to deal with the pandemic."

In the meantime, Samsunlu admits the airport is working on a new route development strategy and he is already working closely with Turkish Airlines as part of this.

He says: "We are seeing Turkish Airlines aggressively opening and recommencing businesses with all the destinations they can fly to but the current restrictions are limiting their revival and also the revival of Istanbul Airport."

Samsunlu adds the airport is also well prepared for when the skies do open again, adding: "We continue hiring people for the route development and airline marketing (teams).

"There is a saying in the stock market: when there is blood in the market we need to go and buy shares and I am using the same approach for airports.

"If you become too conservative and too scared to take action for the future then you will get more problems once things start to take off."

In which case, he says staff are talking more to airports and airlines, which are also being encouraged to set up codeshare arrangements on routes with limited demand in order to share costs.

Speaking to Samsunlu, his plans are thorough and his enthusiasm for the challenge is palpable. If things turn out as positively as we all hope, then surely April 2020 will be the last time he hears the echo of his own footsteps in Istanbul Airport.

If you become too conservative and too scared to take action for the future then you will get more problems once things start to take off.

Kadri Samsunlu,

Istanbul Airport CEO

Finding freedoms

ICF manager Nishaan Rama and analyst Dhruva Kemp argue that airlines prepared to use fifth-freedom agreements as they reconsider their networks in the wake of Covid-19 may well find they have a strong advantage

Dhruva Kemp, ICF analyst

Nishaan Rama, ICF manager

The impact of Covid-19 continues to have far-reaching consequences for the aviation industry, with IATA predicting airlines will lose $84 billion as passenger demand falls 55 per cent in 2020 as governments around the world introduced sweeping travel restrictions. Now, with restrictions being gradually eased, it is vital airlines adapt to serve recovering travel demand.

Consumer sentiment in the new world is going to be notably different, with ICF Next's survey of frequent flyers indicating only 24 per cent expect to travel internationally in 2020.

Therefore it is imperative airlines shape their route networks where possible to anticipated low levels of demand in the coming months, potentially putting the viability of certain routes at risk.

Airlines can take various measures to sustain demand, including reducing frequencies or switching to an alternative aircraft type where possible.

Fifth freedom

Another option could be taking advantage of fifth-freedom agreements and operating multi-stop flights to benefit from demand at an intermediate point on the route in order to supplement weaker point-to-point load factors.

The fifth freedom is defined as the right to fly passengers and cargo between two foreign states, as long as the origin or the final destination of such flights is the registration state of the airline.

Fifth-freedom routes are generally a minority of an airline's capacity but help gain market share and connect routes that cannot be operated due to limited point-to-point demand or aircraft range restrictions.

As far back as 2016 it was argued that ultra-long-haul services may benefit from lower unit costs by adding a stop to overcome passenger or cargo payload restrictions and reduce the inefficiencies that may cause a higher cost per available seat kilometres (CASK), partly due to a less dense configuration.

The operation of these routes requires appropriate air service agreements, schedule adjustments and slack time for schedule coordination.

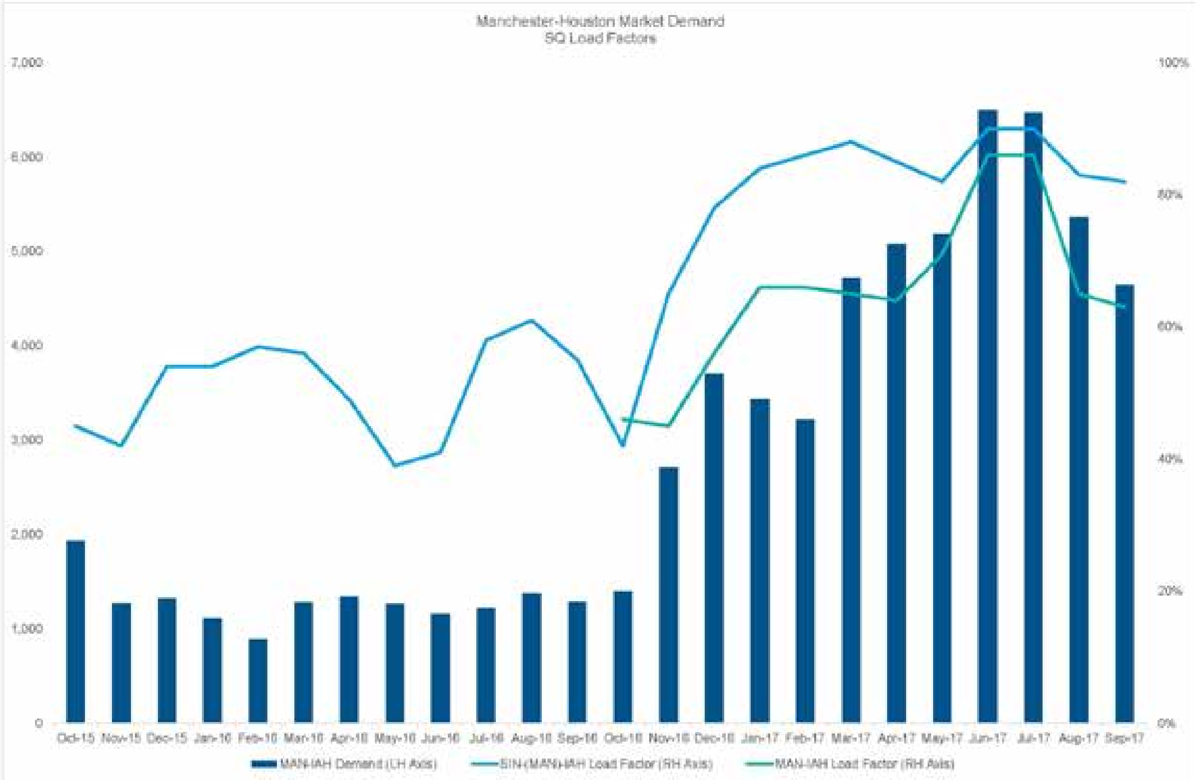
In addition, in the post-Covid-19 world, a suitable easing of lockdown restrictions as well as health screening at the intermediate destination will be required for passenger travel.

Singapore's transatlantic connection

Singapore Airlines has been successful in operating fifth-freedom flights connecting Southeast Asia to the US. Due to aircraft range and payload restrictions it connects to the Americas with a stop in Europe.

There are no direct services between Singapore and Houston and connecting services prior to Singapore Airlines' service included multiple carriers via Northeast Asia and the Middle East.

There were also no direct flights between



"It is imperative airlines shape their route networks where possible to anticipated low levels of demand in the coming months, potentially putting the viability of certain routes at risk"

Manchester and Houston, with the majority of passengers connecting through Heathrow Airport in London on British Airways and United Airlines.

Load factors on Singapore's Manchester-Houston segment have averaged in the mid-60 per cent since the service started in October 2016, below the load factor it generated on the entire itinerary. The fifth-freedom segment, Manchester-Houston, has, however, stimulated the local market as no direct service had previously existed.

Singapore Airlines' non-stop connection to Houston further enhances Manchester's transatlantic connectivity and provides Singapore Airlines services to the US that bypass competition from busier London airports.

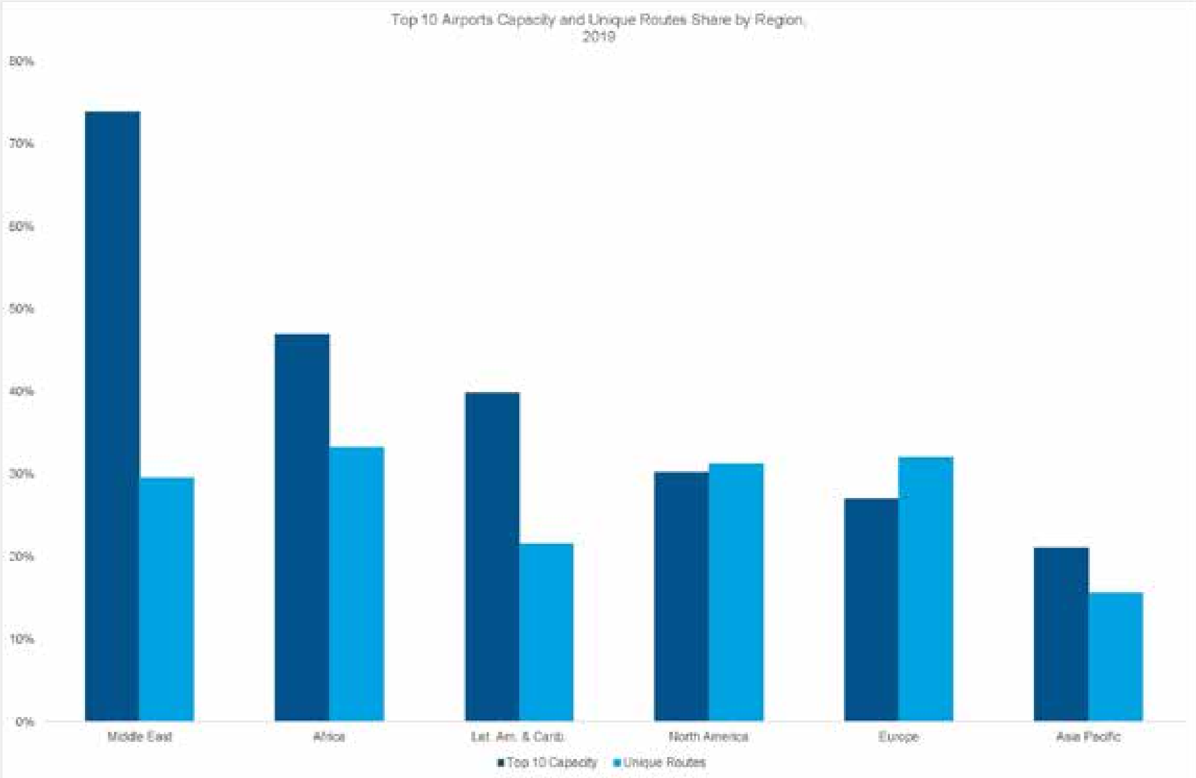
Due to falling demand from the pandemic, in May 2020 United applied to reinstate the previously cancelled fifth-freedom Singapore-Hong Kong segment of its San Franciso-Singapore itinerary. The airline will initially operate cargo-only services, but keeping the option to commence passenger services highlights its need to optimise passenger loads in a low-demand environment.

A more connected Africa

African carriers faced issues before the pandemic, including high debt burdens and lower load factors than carriers in other regions while the service reductions have had a considerable impact on many of their already precarious finances.

This may lead to permanent route cancelations or carriers entering administration, as happened with South African Airways, for which a restructuring plan was recently approved, while Air Mauritius entered voluntary administration in April 2020.

Africa's aviation market is less developed than other regions with demand concentrated in a limited number of airports. In 2019 the top 10 busiest airports in Africa accounted for 47 per cent of total capacity, the second-highest market concentration of all global regions.



Just over a third of airline capacity in Africa is on routes served by only one carrier in 2019, the highest of all regions, driven by a relatively higher share of single-carrier intra-regional and inter-regional services.

Given the relatively concentrated market carriers operate in, route cancellations can lead to a loss of or significantly reduced connections with limited alternatives available.

Ethiopian Airlines exemplifies the connectivity gains available from fifth-freedom routes and has one of the widest global fifth-freedom networks, originating from its base in Addis Ababa.

Its fifth-freedom network includes intra-regional Africa, essentially acting as a regional carrier for the continent. The airline also has fifth-freedom segments between large cities in East Asia. Ethiopian also serves three destinations in the US, New York (JFK), Newark and Houston. The latter two operate via Lomé airport in Togo as a hub for ASKY Airlines, a regional carrier part owned by Ethiopian which allows it to optimise feeder services for its transatlantic services. Newark and Houston are also hubs for United, a codeshare partner for Ethiopian.

Kenya Airways has a fifth-freedom network with a greater emphasis on intra-Africa travel and, similarly to Ethiopian, operates effectively as a regional carrier on these routes.

Both Ethiopian Airlines and Kenya Airways operate fifth-freedom segments within Africa where they are the only carrier on the route, highlighting the connectivity gains for otherwise unserved routes.

Now, as airlines employ a range of strategies as they rebuild their networks and lockdowns are lifted, we can see how making use of fifth-freedom rights can boost connectivity while allowing airlines to consolidate their networks. Additionally, it also provides a new load point for belly-hold cargo carriage.

Fifth-freedom flights may also prove to be more dynamic when coupled with a codeshare agreement since another airline will be able to sell tickets to the onward destination aside from just the operating airline.

As airlines begin to recover, there is more need than ever for optimised routing in a low-demand environment.

"Ethiopian Airlines exemplifies the connectivity gains available from fifth-freedom routes and has one of the widest global fifth-freedom networks"

European renaissance

In late March and early April this year, at the height of the pandemic in Europe, flights in Eurocontrol airspace were down approximately 90 per cent compared to 2019.

Many secondary and regional airports saw all commercial flying end while services that continued to run were largely focused on repatriating international travellers.

Capacity recovery has been piecemeal and has predominantly depended on how lockdowns and travel restrictions have been pared back, which defines where flights can return.

Carriers have since begun reintroducing services and in mid-July flights were down 60 per cent compared to 2019, an improvement on the situation a few months previously.

Secondary and regional airports often have a more limited range of carriers and destinations than larger airports and may rely on feeding hub airports.

As carriers implement new network plans, these airports have less potential backfill opportunity if an incumbent airline reduces or ceases services.

EasyJet has announced it will close bases at three UK airports, Stansted, Newcastle and Southend, and expects to serve them from away-based aircraft instead. The airline is yet to announce definitive capacity plans and has not indicated it is permanently cutting any routes from the airports.

Closing bases has the potential to reduce frequencies at an airport as it is no longer served by based aircraft.

In 2019, easyJet accounted for 10 per cent of capacity at Stansted, 20 per cent at Newcastle and 47 per cent at Southend, where it is the airport's largest carrier. Much of its network at the three airports is unique, with 33 per cent, 53 per cent and 33 per cent respectively to destinations only served by the airline.

This is important as should the carrier decide to reduce services, there is potential for back-filling from other carriers if they want to add additional capacity on those routes.

Demand is not the only factor that can lead to reduced air connectivity and domestic recovery is further compounded by stipulations applied to government support packages for environmental reasons.

For example, as part of Air France's loan from the French government, it will cease domestic services where the same journey by train takes less than two-and-a-half hours. It is reported this limitation will also apply to other carriers to avoid backfilling on the routes.

Similarly, in Austria, Austrian Airlines will cease services on domestic routes with a rail alternative taking less than three hours.

ICF forecasts it will take between five and six years for European traffic to reach pre-Covid-19 levels. For secondary and regional airports to weather this period and show resilience, it is key to continue open discussions with airlines to minimise any potential reduction in capacity and to make use of government financial support schemes for staff and business operations where possible.

Boeing, Boeing gone

By Edward Robertson

British Airways' recent decision to permanently ground its fleet of Boeing 747-400s is one more nail in the coffin for the former Queen of the Skies

While the news might have been long expected, it was still sad to hear it.

On 17 July, British Airways (BA) chairman and CEO Alex Cruz announced that the airline's remaining fleet of 31 Boeing 747-400 aircraft had flown their last services and would be retired with immediate effect.

Unsurprisingly, the decision was blamed on Covid-19 and the ensuing predictions that the aviation sector is not set to return to its 2019 levels of flights until 2023 at the earliest.

However, the aircraft's use by BA was already being reduced as the airline invested in greener aircraft, including six Airbus A350s and 32 Boeing 787s, which are up to 25 per cent more fuel efficient.

The decision also means that, according to Cirium Core Fleets, there are now just 29 747-400s operated by nine airlines in service and carrying passengers.

As BA announced its decision, Cruz paid tribute to the aircraft, saying: "This is not how we wanted or expected to have to say goodbye to our incredible fleet of 747 aircraft. It is a heart-breaking decision to have to make. They will always hold a special place in our hearts at British Airways.

"We have committed to making our fleet more environmentally friendly as we look to reduce the size of our business to reflect the impact of the Covid-19 pandemic on aviation. As painful as it is, this is the most logical thing for us to propose.

"The retirement of the jumbo jet will be felt by many people across Britain, as well as by all of us at BA. It is sadly another difficult but necessary step as we prepare for a very different future."

The jumbo jet originally joined BA's predecessor British Overseas Airways Corporation (BOAC) in 1971 and, at its peak, the airline was operating 57 747-400s.

Global replacement

While it remained the biggest commercial aircraft in the skies until the arrival of the

Airbus A380 in 2007, Ascend by Cirium global head of consultancy Rob Morris says airlines, like BA, that are replacing their 747s are doing so with Boeing 777s as well as the aforementioned A350s and 787s.

He adds: "As a passenger aircraft, the 747 has been declining for many years. There have been many iterations of design from the 100, 200 through to the 400, 400ER and the 8, but it's always been prior generation technology.

"The A350-1000 for example is an aeroplane that has broadly similar capacities as the 747 but with a much lower seat/mile cost because of the engine maintenance cost being much lower while the fuel burning is significantly lower."

Morris says the same is true for the 777-300ER and the 777-9 which offer better seat/mile economics and lower trip costs.

He adds: "The A350-900, the A350-1000 and the 787-10 will come into the picture. It's all about economics and performance and frankly the only thing that kept the 747 going with people like BA for a very long period of time was the economics were skewed as the aircraft's capital costs were zero."

Morris says this was because the aircraft had been bought so long ago that they were long removed from the balance sheet while maintenance costs were kept down by using 767 engines for parts. In addition, the 747-400 offered substantial freight capacity which proved popular for routes like London-New York.

Rival airlines' operations

Of the airlines that are still operating variants of the 747, Lufthansa and Rossiya have the most with eight apiece.

Cirium Core Schedules data shows that as of August 2020, Lufthansa's 747-8s are based at Frankfurt from where they serve Bangkok, Chicago, Johannesburg, Los Angeles, Mexico City, Nanjing, Sao Paulo and Shanghai.

Meanwhile, the same data shows Rossiya's 747-400s are scheduled in August to operate between Moscow and Khabarovsk on the country's east coast.

Rob Morris,
Ascend by Cirium global head of consultancy

The A350 is proving to be a popular replacement for the 747-400

Cargo continues

While opportunities for passengers to fly in a 747 may be fast running out, the aircraft will remain a feature in aviation as nearly 50 companies still operate more than 300 cargo 747s today.

Ascend by Cirium global head of consultancy Rob Morris says their longevity in the freight sector is down to two reasons, firstly because they are specifically designed to carry cargo while being nose loaders gives them another edge.

He adds: "As a cargo airplane it's got great utility. Before Covid-19 a lot of those aircraft remained parked but with Covid-19 there's this need for main-deck cargo capacity thanks to the loss of belly capacity.

"The 747 is also quite unique as a nose loader. You have the ability to carry outsize cargo which no other aircraft type aside from the Antonov An-124 and the Antonov An-225, (but there are only) 10 and one of them respectively."

Morris also argues that the decision to end production of the aircraft in 2022 could even boost their popularity in the freight sector.

He says: "The values of cargo 747s could increase somewhat as there will be a scarcity of supply and a relatively constant demand."

Nor is this the only opportunity to spot a 747, Morris adds as there are currently 21 operators of 38 non-commercial 747s, including both the US and Iranian air forces, the governments of Turkey, Kuwait and Brunei and even Virgin Galactic.

He says: "It is quite a small fleet but they're in all sorts of roles – lots of VIP airplanes and there are some (being used by the) military and even one aerial firefighter

"By virtue of its capacity, its range and its four engines, the aircraft will remain in some markets where the cost doesn't matter."

Morris adds: "What we have in Russia is a bit of an anomaly, the Russian market has very limited outbound tourist opportunities today so the Russian market is not operating a lot of leisure routes."

However, he says there is now a high density of tourist traffic down to the Crimea following Russia's annexation of the territory in 2014, adding: "Rossiya has a specific requirement or opportunity to use these aircraft now but I don't know how long that will go on for.

"The Russians are taking a lot of 777s in the used aircraft market so they might end up replacing them with the 747s with these."

Air China has a further six 747-8s, although Morris says: "Air China has very little utilisation of them and they use them largely for VIP operations."

While it is impossible to say just when the last passenger 747 will grace the skies, Morris believes the days of flying in one are sadly numbered.

He says: "The sunset is here, if the 747 was previously the queen of the skies then the queen is dead. Long live the queen. The 747 has been an iconic aircraft for many years, if I go back to my childhood the James Bond films would show a Pan Am 747 landing in virtually every film.

"At the outset of the 747's creation, Pan Am was going to fly one to every capital in the world. It was an iconic aircraft for many years."

As ever, the aircraft's demise has come down to money Morris says, with Covid-19 simply helping speed up the decision-making process.

"The commercial aviation scene has changed a lot, he adds. "It was a romantic scene in the 1970s and now it is a hard-nosed commercial business. Economics and performance are what airlines care about the most in a very competitive market."

Remaining Boeing 747s in service according to Cirium Core Fleets

Airline	In Service	In Storage	Total
Lufthansa	8	24	32
Rossiya Airlines	8	1	9
Air China	6	3	9
Atlas Air	2	3	5
Air Atlantic Icelandic	1	3	4
Air India	1	3	4
Asiana Airlines	1	0	1
Mahan Air	1	3	4
Wamos Air	1	3	4

Menzies begins its Covid-19 recovery

The global aviation services operator has reported some good news as aviation services tentatively resume around the world, Edward Robertson reports

John Menzies has been shrugging off some of the ill effects of the Covid-19 global pandemic with two new contracts following a shake-up of the group's board in June.

Its global aviation logistics subsidiary Menzies Aviation, which operates at 219 airports in 34 countries, signed a new deal with Air France-KLM at Canada's Toronto Pearson Airport in August.

Starting on 1 September, the agreement means Menzies will provide ground-handling operations and cabin-cleaning services for more than 900 flights annually for the next three years.

The new arrangement is part of a long-running relationship between the two companies and represents the ground handler's first long-haul transatlantic operation contract with a European carrier at Toronto Pearson.

Menzies Aviation executive vice president, Americas John Redmond says: "It is great to see us broadening and strengthening our existing relationship with Air France-KLM."

The contract comes hot on the heels of one signed with Qatar Airways Cargo in July to provide cargo handling, freighter-aircraft handling and cargo transportation to and from aircraft at London's Heathrow Airport.

As a result of this agreement, Menzies will be enhancing its delivery and collection processes while also investing in special product handling capabilities with a focus on pharmaceutical and temperature-controlled commodities, a move that could prove vital if a vaccine for Covid-19 is developed.

The deal also fits in with Qatar Airways Cargo's strategy of developing a global network handling partnership programme, while it also benefits from both new office and warehouse space at Heathrow, once staff move in from 1 September.

Menzies Aviation executive vice president, cargo Robert Fordree says: "This award is the result of a close working relationship in a number of global locations which has enabled us to develop a deep understanding of the cargo carrier's requirements.

"It shows our renewed focus on our global cargo business and a clear strategy to partner with global carriers at multiple locations is beginning to deliver results."

The two new ventures come following changes on the board at the parent company John Menzies, announced in June.

CEO Giles Wilson is leaving the company at the end of August and it has been decided that he will not be replaced in a bid to streamline the executive structure at the global aviation services group.

Instead, executive chairman Philipp Joeinig will take a more active role in running operations, assisted by chief operating officer Mervyn Walker, chief financial officer Alvaro Gomez-Reino and corporate affairs director John Geddes, each of whom will take on extra responsibilities.

Joeinig says: "I remain excited about the future for Menzies. We are a very strong market participant with excellent prospects as the sector begins to recover.

"As we announced earlier this week our medium-term liquidity position is secure and we look forward to building our business back up as flying schedules return.

"Our outlook is positive, and we have an excellent, experienced leadership team who will drive our ambitious growth agenda."

Philipp Joeinig,
John Menzies executive chairman

The June trading update that Joeinig refers to reveals the extent of the impact that the global Covid-19 pandemic has had on its operations as airlines around the world have been grounded following a series of government lockdowns and a collapse in consumer demand.

During both April and May, John Menzies' ground handling and fuelling activities were down by about 75 per cent year on year, while its ancillary passenger airline services also experienced a similar decline.

"The board is confident in the long-term growth potential of the aviation services market and believes that ... John Menzies will emerge strongly from this challenging period"

John Menzies

Cargo services proved to be a little more resilient with total volumes down by half as much, about 37 per cent, in April compared to the same month in 2019.

As a result, revenues in April and May were 64 per cent below budgeted levels, as predicted in the group's March trading update.

However, even with the additional problems and costs incurred by the global shutdown, the report remains positive.

It states: "Despite the significantly reduced revenue, strong cost management, together with quick and effective mitigating actions, resulted in an overall performance for April and into May that was better than expected at the time of the March trading update.

"We continue to tightly manage outstanding payments with our airline customers and are pleased that in the majority of cases payment terms continue to be adhered to.

"At this time, whilst we have been affected by the impact on our customers, we have not incurred any material bad debts during the current crisis."

The ongoing uncertainty which was experienced in June also meant the group's board "does not consider it appropriate to provide financial guidance for the remainder of the current financial year at this time".

However, it adds that John Menzies continues to work closely with its airline customers as they plan forthcoming flight schedules, although the depressed demand witnessed in May was expected to continue in June, before a gradual uplift was expected in early July. With the benefit of hindsight, the group's predictions appear to be coming true.

The report adds: "As volume builds, we expect to see short-haul capacity return first with long-haul capacity taking longer to recover.

"In addition, we expect cargo revenues to continue to build back as customers employ more innovative measures to meet demand, such as using passenger aircraft for cargo-only flights.

"Our freight forwarding business, AMI, continues to trade well and in line with 2019 performance, with a positive outlook for the coming months."

The report also says the group's funding position remains tenable "as a result of unwinding its working capital and achieving good cash collection from customers, whilst also benefiting from reduced cash costs and the material benefits of government support and payroll schemes".

It adds: "These schemes covering many countries have helped to mitigate a large proportion of our direct payroll costs, the group's largest cost, accounting for in excess of 60 per cent of our revenue."

This, it states, means there is enough cash to provide "sufficient headroom under its current loan facilities for the group through the remainder of the year and into 2021".

The report ends on a positive note, adding: "The board recognises that there will be significant opportunities for aviation services groups who are able to emerge from this crisis with their capability and service offering preserved.

"We are pleased that our liquidity headroom is capable of providing a secure platform as we start to build back our operations.

"Overall, the board is confident in the long-term growth potential of the aviation services market and believes that, as a global leader, John Menzies will emerge strongly from this challenging period."

Air France-KLM has signed a new deal with Menzies Aviation

EVA International Media Presents

THE NO. 1 AVIATION PODCAST

Hosted by Chris Notter

APPROACHING 100 PODCASTS
Released since August 2019

Listen - Watch:
www.evaintmedia.com

Download:
APPLEPODCAST - SPOTIFY

Contact:
Salam Raja , Producer
salam@evaint.com | Tel: +44 (0) 253 4000


HOSTED BY

Weathering the storm

By Edward Robertson

Swissport has its work cut out as, like the rest of the aviation industry, its business is severely impacted in the ongoing Covid-19 pandemic.

For such a tiny virus, Covid-19's impact on the world's aviation sector remains gargantuan.

Swissport is just one of many companies in the aviation sector to be hit hard by the pandemic as it prepares to make 4,500 UK staff redundant.

The news was leaked to one of Britain's national newspapers, *The Telegraph*, and was blamed on both the uncertainty and reduced amount of flying globally caused by Covid-19 as lockdowns were implemented by national governments.

The UK job losses were just the latest of many and represent a significant loss to the company which went into the emergency with about 65,000 employees operating in 47 countries in every continent of the world, barring Antarctica.

Between them, they handled 265 million passengers and 4.6 million tons of cargo annually, from 4.1 million flights in 300 airports.

"Temporary unemployment"

However, since Covid-19 spread across the world, staff numbers have already dropped to 48,000, of which 33,000 are currently in "temporary employment".

Speaking to *ARGS*, a spokesperson says had it not been for the company's quick actions and support from governments around the world, the situation could have been even worse.

She adds: "Swissport, like countless companies in the aviation industry around the world, finds itself in a challenging situation. At the peak of the lockdown, the company recorded a global drop in revenue of around 80 per cent.

"Swissport acted fast in cutting expenses to mitigate the impact of the revenue. Non-vital projects and investments were stopped, and a hiring freeze implemented.

"Government support in the form of short-time working models and temporary furlough schemes, for instance in Switzerland, Germany and the UK, and direct state aid, for example in the US, also helped to stabilise the company."

The direct state aid in the US consisted of the provision of about $170 million in additional funds for payroll support while in the UK signing up to a scheme of arrangement and consent solicitation allows Swissport to raise "significant additional liquidity". Both schemes were announced by the ground handler in July.

The spokesperson adds that although aircraft may be returning to the skies and so bringing back more business for Swissport, the limited renewal is set to coincide with the winding down of government help schemes which

brings a new set of problems and still leaves staff under threat of redundancy.

She adds: “The aviation industry is likely to face major economic challenges. At some point, states will reduce their support. Swissport will then have to make the transition to the new normality.

“This will only succeed if the recovery in demand for flights continues on a sustained basis and we have adapted our cost structure to the new circumstances.

“In global air traffic, we are seeing the first weak signs of a recovery; in the first half of July, Swissport’s worldwide traffic volumes were around 28 per cent of the previous year’s level.

“These figures show how dramatic the slump was and how far back the road is. IATA, the global air transport industry association, does not expect a complete recovery before 2023.

“Due to these circumstances, we cannot yet say at this time whether further layoffs will be necessary. This depends on the development of air traffic and airlines.”

Closing down

Nor is it simply a matter of job losses. In June, the ground handler announced that Swissport International subsidiary Swissport Belgium, which has provided ground services at Brussels Airport, would file for bankruptcy alongside Swissport Belgium Cleaning.

Both companies have been making losses for years and have had to be propped up with cash provided by Swissport International as every attempt to turn the two businesses around failed.

The impact of Covid-19, and the recent loss of their largest airline customer, proved to be the last straws for them, as their boards became unable to make the case for receiving further funding.

In a statement released in June, Swissport International group president and CEO Eric Born says: “After years of providing financial support to our loss-making Belgian ground handling unit and after numerous failed attempts at turning around the business, we had to acknowledge that there were no viable options left on the table and no positive prospects on the horizon.

“Our Belgian directors and their teams worked with the utmost commitment to secure the survival of the business but could ultimately not underpin their turnaround plan with the required long-term customer contracts.

“Absent of a healthy portfolio of such contracts and absent of a competitive cost base, our ground handling business in Belgium would continue to rely on funding from the group.

“Unfortunately, this is no longer an option in the current market environment, which is challenging for the entire industry.”

Born also suggests that other Swissport subsidiaries could yet be closed down as it tightens up funding of loss-making subsidiaries in order to protect itself in the ongoing crisis.

While the news is sad for Swissport, it is also indicative of the global situation as ground handlers everywhere do their best to survive the worst event to hit aviation, the worldwide spread of a microscopic virus that remains much of a mystery to scientists everywhere.

Eric Born,
Swissport CEO

Mixed Results

A look at Swissport's 2019 results shows just how much the ground handler's fortunes have changed since the Covid-19 pandemic swept the world.

For the year ending 31 December, 2019, it registered earnings before interest, taxes, depreciation and amortisation (EBITDA) of €272.3 million, broadly similar to the €273.2 million recorded in its 2018 results.

The sum was generated from revenues of €3.13 billion, which represented a 4.7 per cent increase year on year, and was split between its airport ground services business, which generated €2.54 billion, and air cargo handling, which accounted for the remaining €590 million.

Other positives from the results included the opening of a new Swissport Pharma Center in Brussels, Belgium; Melbourne being scheduled to become the first Swissport cargo operation in Australia; and the continued expansion of its Aspire lounge portfolio, with 48 of them in operation by the year end.

However, with the results released at the end of April, Swissport added a note of caution to the statement as it began to feel the impact of Covid-19 on its operations when the aviation sector severely contracted.

The results warned that start-ups in the Middle East were winning clients and were on track to break even after three years of operations, but this was "prior to the coronavirus crisis".

Swissport also used the results to warn that "due to the unprecedented global market collapse triggered by the coronavirus pandemic" it was expecting an 80 per cent drop in revenue for April and May.

The statement added: "Despite fast and drastic measures to quickly reduce the cost base, including an investment stop and a variety of measures to reduce its payroll, Swissport will require additional liquidity in early summer.

"The company currently has 40,000 employees on furlough or other state-supported programmes like short-time work. Ten thousand employees had to be made redundant, leaving under 15,000 of formerly 64,000 staff on active duty."

Swissport International group president and CEO Eric Born also warned of the coming difficulties, saying: "We are exploring all avenues to secure additional liquidity.

"Federal aid is an important pillar. In parallel we are working on additional financing with our lenders and investors.

"We are confident that we will be able to raise the necessary liquidity on the capital market within the available time frame and that we will also meet the conditions set by the Swiss government to qualify for state support."

Emerging stronger

By Edward Robertson

The Transom Group has created a nine-point plan to ensure it is in a stronger position than previously when aircraft return to the skies

Naif Ali Al-Abri, Transom Handling executive director

Like the rest of the world, Oman's airports have been hard hit by the Covid-19 pandemic.

As the virus ravaged the world, the country's government closed the main Muscat International Airport on March 29 to all but cargo flights and some aircraft operating as part of a repatriation program.

The closure spread to all nine of the country's airports where Transom, which was renamed from Oman Aviation Services in February, operated, so leaving staff at the airport services company with little to do.

Naif Ali Al-Abri, executive director of the group's biggest subsidiary Transom Handling, says the immediate response of Transom was to start downsizing operations in response to the reduced number of flights operating both domestically and internationally.

He adds: "Less than 10 per cent of our operation was still running, 90 per cent was completely shut down so we had to rethink our manpower and equipment."

However, he adds while Transom was dealing with the immediate physical impact of lockdown upon its operations, thanks to some forward thinking the company was also well placed to respond to the crisis.

He adds: "As a reaction to the whole crisis, in early March we started looking at the global level to see what was happening around us and how it would affect Oman as a country, as the aviation industry was a sector that would be immediately impacted by it.

"We formed a crisis management team and launched the emerge stronger programme as we have immediately looked at this crisis as an opportunity."

Al-Abri says the emerge stronger programme is built around nine principles designed to not only help Transom weather the downturn, but also leave it best placed to deal with the future as aviation begins its return to pre-Covid-19 days.

Firstly, controlling operations meant a focus on their seamless running while being able to react to changing operational requirements on a daily basis and sharing information with other key stakeholders.

A crisis management board was introduced to lead Transom's various companies while projects that were part of Transom's anticipated year of execution in 2020 were reviewed so the easiest to implement in lockdown were prioritised.

The fourth part of the program includes strategic scenarios, anticipating life after the pandemic and how Transom can effectively operate in the new world.

Meanwhile, changing implementation focuses on how best to ensure efficient execution of any new plans.

A focus on financial stability covered every aspect of the business both internally and externally while a focus on training ensured staff weren't left idle.

This was assisted by increased communications to all staff members while increased digitalisation of Transom's processes was achieved thanks to the greater allocation of resources to the process.

However, of all the work that is being done, Al-Abri says: "My biggest worry and my biggest focus is financial stability.

"At the end of the day there's no airline or aircraft out there that is flying so there is no revenue for you as a ground handler and that's the biggest issue.

"Your fixed cost is more or less there, it's really man power when it comes to the ground handling business."

Al-Abri's other key concern during the lockdown has been his staff's own health and safety (HSE) and Transom's HSE team has been in constant contact with Oman's ministry of health, to ensure it is up to date with the latest advice while working hard to provide enough personal protective equipment for staff.

He also argues that the downtime has given Transom time to focus on projects and improvements that invariably fell by the wayside in the pre-Covid-19 period when there was less spare time.

"Sometimes time has been the challenge in the past, we never had time to focus on a specific area," he adds.

Achievements now include undertaking maintenance programmes across eight of its airports while new online virtual training courses have been completed by more than 700 members of staff.

And it is this positive attitude that looks likely to ensure that as normality begins to return to Oman's aviation sector, so Transom and its subsidiaries will be best placed to hit the ground running.

Indeed, as Al-Abri reiterates: "From day one we stopped calling this a crisis; we called it an emerging stronger programme."

Transom staff have quickly adopted new working practices

Cleaning Up

Transom Handling has launched a new disinfection service as the company seeks to find new opportunities as a result of the Covid-19 pandemic.

Transom Handling executive director Naif Ali Al-Abri says the new service is being offered by the firm's cabin appearance team which already has experience in cleaning aircraft.

However, having bought new equipment for thorough disinfection and investing "quite heavily" in additional training, the new service will be offered initially to all airlines operating in Muscat International Airport.

Al-Abri says: "We already had a team but now we are much more focused on elevating the standards of sanitisation."

He adds a plan is also afoot to extend the disinfection service beyond aircraft and make it available across the whole of Muscat as other businesses move to ensure they are operating in clean, safe environments.

Al-Abri says: "We are no more just looking at airplanes and this is part of our diversification and growth.

"We are taking the expertise of this team even beyond aviation and this is something we are discussing which we can leverage from the strength we have in hygiene and disinfection."

Catering for a crisis

By Edward Robertson

The Airline Catering Association has released new guidelines for the safe preparation of food in a bid to reassure would-be flyers that the skies are safe again

New guidelines released by the Airline Catering Association (ACA) covering food production for in-flight consumption are focused on reassuring passengers that it is safe to return to the skies.

ACA managing director Fabio Gamba says the new guidelines, known as the 4Ps, use advice from the World Health Organisation (WHO) and other agencies and cover four areas: people; premises; policies, processes and procedures; and procurement.

While they establish global advice for airline catering companies on best practice in the Covid-19 era, he argues their key benefit will be in providing reassurance to consumers, many of whom remain uncertain about flying.

Gamba says: "Obviously passengers are the target audience and we are telling them that we know these are difficult times, we know that they need to be reassured on how the industry is safe and that it (an airline)can safely bring them from A to B.

"This includes everything that happens during the journey and includes food; whatever you're eating, and the conditions in which you are eating it, are safe."

Staff are adapting to Covid-19 regulations

He believes the ACA's message should also mean one less thing for passengers to worry about as they will already have concerns the minute they set foot in an airport, from wondering whether they will face a temperature check, and to when they will need to wear their face masks.

Gamba says: "One of the reasons we are seeing such a long and late recovery is that there is still a sense of the unknown and uncertainty among the

Fabio Gamba, Airline Catering Association managing director

travelling public. If you can tackle that with clear messages it can only help.

"Everyone agrees that bringing reassurance to the passenger is at the moment the most important thing you can achieve.

"It is not about food safety, which is not impacted via the pandemic … and food is not a vector for Covid-19. It's about health and security and other things."

And that, Gamba argues, is the other reason behind the ACA's decision to launch the guidelines which will help catering companies around the world adapt to the new regulations and requirements in their own workplaces.

He says: "We wanted to provide all the caterers worldwide the best practices. On top of that a lot of kitchens have been mothballed for a few months, so it's also about how to restart the activity and should really help businesses."

Gamba adds the guidelines are also flexible enough to take account of the fact that Covid-19's impact across the world has varied greatly, as has each individual government's reaction to it.

He says: "It's based on a risk assessment, depending on the threat (of Covid-19) to a country you can adapt your protocols."

Gamba believes the document will also prove invaluable to smaller catering companies, many of which will not have the time or staff available to monitor the latest advice and understand how best to implement it.

Ultimately, he argues this will bring consistency across the industry, so further reassuring consumers that not only is flying safe in the new era, but they can look forward to a meal or two once they are on board.

Teams can safely work together

Cleaning Up

The Airline Catering Association (ACA) has adopted a new set of safety guidelines to help members navigate the ongoing Covid-19 pandemic.

They are built around four guiding principles, known as the 4Ps, which cover people; premises; policies, processes and procedures; and procurement.

The aim of the guidance is to give members the best advice on both ensuring proper risk assessments can be undertaken in their own businesses, while continuing to supply safe in-flight catering.

The advice breaks down accordingly:

People
The guidelines specify when personal protective equipment (PPE) is necessary, according to best practice provided by authorities including the World Health Organisation (WHO), and both the safe wearing and disposal of it.

Advice also covers employee training, personal hygiene, screening, inspection and surveillance measures and how to support high-risk employees as best as possible.

Premises
Focusing on physical distancing, the advice covers how best to address specific risks and logistical factors unique to each catering location.

In particular, it considers monitoring work stations to ensure they are safe with equipment properly spaced and reviewing worker numbers in everything from offices to canteens. It also includes how to ramp up or ease off protocols according to the local pandemic risk level.

Policies, Processes and Procedures
Much of this revolves around the American Centers for Disease Control and Prevention (CDC) recommendations, with advice on reducing employee transmission while maintaining a healthy work environment.

Advice also covers third-party access to a facility, cleaning and disinfection and working with suppliers to best effect.

Procurement
The guidelines focus on ensuring adequate stocks of PPE are available with contingency options while ensuring plans are in place should a regular product or service supplier suddenly find itself in trouble.

Changing customer requirements are also spotlighted in order to ensure effective supply chain planning in a time when circumstances can change rapidly.

SGS

VISION

TO ENABLE A SEAMLESS AND **SUSTAINABLE MOBILITY ECOSYSTEM** THROUGH INTEGRATED SOLUTIONS AND A CUSTOMER CENTRIC MINDSET

SAUDI_GS

saudiags.com

+966 (12) 690 9999